

**PROCEDURES FOR PUBLIC HEARING
2006/2007 FY BUDGET**

Mayor's Opening Statement:

This public hearing will please come to order. This public hearing has been called by the Village Council to consider the proposed Village Budget.

Notice of this hearing was published in the Downers Grove Reporter and a certificate of publication is made a part of these proceedings.

I would like to summarize the procedures which we will follow for tonight's public hearing.

1. First, Cara Pavlicek, Village Manager, will provide an overview of the proposed Budget.
2. Next, there will be an opportunity for members of the Village Council to ask questions or make comments.
3. Next, there will then be an opportunity for members of the public to make statements or comments, or to submit written statements or comments for the record.
4. I will again ask if any member of the Council wishes to make a statement or ask a question.
5. Thereafter, I will ask for a motion to adjourn.

At this hearing, witnesses will not be sworn and a verbatim written transcript of the statements or testimony given at the hearing will not be prepared. However, a tape recording of the procedures will be made on Village equipment and retained until minutes of the hearing have been prepared and approved by the Village Council.

- 1. Staff Presentation.**
- 2. Questions or comments from the Village Council.**
- 3. Comments or statements from the public.**
- 4. Final questions or comments from the Village Council.**
- 5. Adjournment.**

**VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
MARCH 28, 2006 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
Public Hearing: FY2006-07 Municipal Budget	✓ Resolution Ordinance Motion Discussion	Cara Pavlicek, Village Manager

SYNOPSIS

An ordinance has been prepared to adopt an eight month fiscal year budget starting May 1, 2006 and ending December 31, 2006 in lieu of passage of an appropriations ordinance and in accordance with the State Budget Act. Changes directed as a part of the February 25, 2006 Village Council Budget Workshop are included in the recommended budget.

FISCAL IMPACT

The FY2006-07 municipal budget proposes total expenditures of \$68,170,217 for the eight month period.

The total property tax revenue projected in the general fund is \$7,819,405 for FY2006-07 based upon \$2,026,641,977 in assessed valuation, which results in an estimated overall Village tax rate of \$0.4137 per \$100 EAV. This reflects a reduction in the property tax rate. As property taxes are received in June and September, the revenue is the same for the eight month fiscal year as if the fiscal year were to end April 30, 2007.

RECOMMENDATION

Approval on the April 4, 2006 Active Agenda.

BACKGROUND

In keeping with the desire of the Mayor and Council to engage citizens in the budget dialogue, the recommended budget document was made available to Council and the public on February 10, 2006. The budget was reviewed in a workshop with Council on Saturday, February 25, 2006. This meeting was televised several times. On Saturday, March 11, 2006, Coffee with the Council was held with a formal presentation of the proposed budget by staff to the public.

On February 25, 2006, the Village Council held a workshop meeting to review and discuss the recommended municipal budget for fiscal year 2006-07 and the five-year financial plan. The recommended budget was presented to reflect the revenue and expense information for all funds pertaining to the general operation and maintenance of municipal government, including the Downers Grove Public Library, for a twelve month period. Staff has subsequently identified the expenditures that will be associated with the 8 month period from May 1, 2006 through December 31, 2006 and presented those funding amounts in the recommended ordinance.

As with prior years, the preparation of the recommended budget has taken considerable time and very conscientious deliberations have been held about Village finances. A detailed descriptive and financial

summary of each fund is provided within the recommended budget document.

During this next fiscal year, the Village will continue to experience development activities in the downtown business district, Ogden Avenue and the office parks. These development activities will impact both daytime population and residential population in the future. The most significant financial liability to the Village is the age of the community (the Village will turn 175 years old in 2007). Without a long-term financial commitment to the maintenance and replacement of our municipal infrastructure the Village will suffer physically. The deterioration of infrastructure may not be obvious to residents and businesses today, but there will be a noticeable decline in the quality of life in our community for subsequent generations unless there is a financial commitment today to invest in Downers Grove. To begin addressing infrastructure needs in a more strategic manner, the Mayor and Village Council adopted an Ordinance on March 7, 2006, that rededicated the existing Home Rule Sales Tax of 0.5% for infrastructure needs beginning July 1, 2007. The budget document presented reflects this proposal by shifting Home Rule Sales tax revenues into the Capital Fund and shifting Utility Tax revenues into the General Fund from the Capital Fund. On a twelve month basis, the result is an overall reduction of General Fund revenue for day to day operations of \$2,426,067 and an increase in funding for Capital needs of \$2,368,567. The total recommended budget for all expenditures reflects an increase of less than 5% (excluding library related expenditures) from the current fiscal year, again on a twelve month basis. This modest percentage increase is primarily accounted for under the increased cost of employee health insurance and the police and fire pension funds. It is, however, important to remember in reviewing the recommended budget that municipal government is a labor intensive industry – it takes good people to provide Village services and the cost of benefits for these employees is determined by state statute in many cases. The Village continues to work to evaluate the cost of employees on the budget. As the Village continues to re-develop, we will be asking our employees to do more than just maintain the current level of service – they will also be asked to adjust to the future needs of this community.

Again, in reviewing the recommended budget on a twelve month equivalent basis, in the General Fund operating budget the total expenditures are recommended to be 3.5% below the current year end estimate. This reduction in recommended expenditures in the General Fund is attributed to a change in the manner in which administrative transfers are reflected in the budget document as directed by the Village auditors and Government Accounting Standards Board (GASB) Statement No. 34. Essentially, the Village has historically budgeted for all personnel and related expenses in the General Fund and to the extent which other funds (e.g. Water Fund, Capital fund) were charged for the time that personnel spent in support of the other funds (e.g. Water Fund, Capital Fund) that expense was paid back to the General Fund from the other funds in the form of an administrative transfer from the funds and shown as General Fund revenues in the budget as a fund transfer. Historically, the Village has used administrative transfers as a means of balancing the revenue needs between funds. For example, in the recommended budget for FY2006-07, time that that the Village Manager's office spends to oversee utility billing as a part of the Water Fund activities is no longer shown as a General Fund expense, nor does the General Fund receive revenues from the Water Fund. As a result, General Fund expenses appear less because there are a number of Village expenditures that are now only shown in the other funds. Prior to submittal of the recommended budget for FY2007, staff will establish a clearly defined basis for attributing personnel and overhead expenses to other funds.

Despite the above GASB 34 changes, it is important to note that Council can track expenditures in *All Funds* as a means of evaluating growth in Village services from year to year.

To assist the Village Council in considering the FY2006-07 budget in terms of the Village's long-term financial sustainability, the recommended budget document again identifies multi-year financial projections. Please note that the Village Council is only being asked to adopt the budget for FY2006-07. No action will be taken on the future budget projections. The purpose of the multi-year budget projections are to ensure the Village is able to stay focused on the priority of service to the citizens of the Downers Grove.

Through the Village Council's leadership and Downers Grove's legal authority as a Home Rule unit of government, the Village has developed a diverse mix of revenue streams to lessen the property tax burden on residents to address the financial needs of the organization. As a result, in FY2006-07, total General Fund revenues are projected to be \$39,153,331 on a twelve month basis as compared to the \$42,997,365 in revenues estimated to be received in FY 05-06. The total of property taxes projected in the general fund is \$7,819,405 for FY 06-07 based upon \$2,026,641,977 in assessed valuation, which results in an estimated overall Village tax rate of \$0.4137 per \$100 EAV. This reflects a reduction in the property tax rate. A homeowner with property valued at \$300,000 will pay \$413 in property taxes to the Village in 2006 as compared to \$439 paid in 2005, assuming no change in assessed valuation. In other words, for \$34.41 per month a resident will continue to receive high quality emergency police and fire services, in addition to other primary services like snow removal and street maintenance. When compared to other regular household expenses such as electricity, the Village of Downers Grove portion of the property tax bill is a significant value. Property tax is received by the Village in June and September. The Village's EAV and 2005 tax rate will be certified by the County Clerk and released in April 2006.

The Village has adopted a Council Policy pertaining to the cash balance or targeted amount of cash anticipated on the monthly Treasurer's report for the last month of the fiscal year. The cash balance, as of the last day of the fiscal year, will be used as a target for budgeting for the fiscal year. A target cash balance is established to provide financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength. In regards to the General Fund the cash balance is to be no less than 2 months of annual operating expenses, and not more than 4 months of annual operating expenses, based upon a specific definition of 'operating expenses' which does not include controlled assets, capital assets or pension expenses supported by tax levy. The recommended budget provides for approximately 3 months of operating expenses at fiscal year end and therefore is in compliance with the policy.

The beginning cash balance at the start of the current fiscal year was estimated in the adopted budget to be \$4.2 million for FY2005-06. Upon conclusion of the fiscal year, the actual cash balance was \$7 million and this significant increase is attributed to conservative revenue estimates and position vacancies that resulted in substantial salary savings. The conservative revenue estimates were warranted at the time the budget was adopted due to the unstable economy and the historical variations in certain areas. However, these conservative estimates combined with position vacancies had a compounding effect and cash balance increased dramatically. In reviewing the year end estimate of revenues and expenditures for this current fiscal year, and as a result of the Council's direction at the budget workshop, the proposed budget includes a \$2,700,000 transfer from the General Fund into the Debt Service Fund for retirement of a portion of the principal on the \$4.5 million short term debt to fund downtown land acquisition/relocation expenses. The remainder of the funding necessary to retire that principal amount (\$1,800,000) will be transferred from the Parking Fund into the Debt Service Fund. This funding was provided by METRA to the Village as part of the agreement for commuter use of the Downtown Parking Facility.

The municipal budget is comprised of 22 active funds for FY2006-07. With the above information in mind, the following is a synopsis of major areas where change is proposed in the general fund budget:

Existing Program/Activity	Description	Savings/(Cost)
<p>Wage range increases & collective bargaining agreement wage increases.</p>	<p>The Village of Downers Grove is a service organization that allocates nearly 75% of its General Fund budget to personnel-related expenses. The recommended Village budget proposes a total staffing level of 369.14 fulltime equivalent (FTE) positions, which fall into the one of the following three employee groups for the purposes of salary/wage classification:</p> <ul style="list-style-type: none"> • Exempt & Non-Exempt Employees, 233.14 FTE • Police Officers (Union), 61 FTE • Firefighters (Union), 75 FTE <p>Collective bargaining agreements that were previously approved by the Village Council establish the wages for FY 06-07 for police officers and firefighters that are covered by the agreements (the agreement with the Firefighters will expire April 30, 2007 and the agreement with the Police Officers will expire on April 30, 2008.) The collective bargaining agreements establish a starting wage and steps that employees covered by the agreement are paid based upon length of employment.</p> <p>All other Village employees are covered by an Employee Classification Schedule that classifies employee positions into a <i>pay grade</i>, numbered 2 through 24. Each Village employment position has been classified in a <i>pay grade</i> based on the unique technical requirements of the position. Each <i>pay grade</i> has a designated <i>wage range</i> that defines the minimum wage, midpoint of the range and the maximum wage for the <i>pay grade</i>. Each individual employee's wages are based upon the <i>pay grade</i> of their position and subsequently they are paid within the <i>wage range</i> based upon their experience and job performance. There are no automatic pay steps that employees increase employee wages based on length of service. It is a merit based system that is often considered the foundation for a pay-for-performance system. For employees covered by the Employee Classification Schedule, individual employee wages can be increased annually in May when it is determined by the supervisor, based, in part, on the employee's performance evaluation. Over the last three years, these wage increases have averaged between 2% and 4%. There have been no across the board increases during this period. The <i>wage ranges</i> were last reviewed in November 2003, and adjusted in May 2004 which resulted in various increases to the <i>wage ranges</i> in amounts less than 5.5 percent.</p> <p>In January 2006, Council discussed preparation of this budget document with the following wage recommendations:</p> <ul style="list-style-type: none"> • Funding as required for wage increases provided for in police and fire collective bargaining agreements. • Effective May 1, 2006, <i>wage ranges</i> would be increased as follows: 	<p>Each percentage increase in wages for employees not covered by a collective bargaining agreement requires a total increase of approximately \$125,000.</p>

	<p>1. Increase the range midpoints (the wage amount halfway between the range minimum and maximum) by 5.2% at Grade 2 up to 7.7% at Grade 24.</p> <p>2. Increase the separation between the range minimums and range maximums from 35% to 37.5%. Range minimums would be calculated at 20% below the midpoint. Range maximums would be calculated at 37.5% above the range minimums. This will have the effect of creating a greater "spread" between the minimum and maximum, offering greater flexibility to fill vacant positions based on market conditions.</p> <ul style="list-style-type: none"> • Funding for an average wage increase of 3.5% for all employees that are not covered by a collective bargaining agreement and that have demonstrated they meet performance standards. The proposed 3.5% is generally based on the Consumer Price Index for the past 12 months. • Funding for an additional \$200,000 for merit increases to exceptionally high performing employees that are not covered by collective bargaining agreements. <p>The Village should maintain a non-union compensation system that controls and limits arbitrary and unfair compensation, while allowing for flexible decisions for employees that perform vastly different functions across the organization. In evaluating the Village's personnel systems, the need to make adjustments that better facilitate high performance within the organization is recognized. This, however, requires a careful and methodical approach to ensure effectiveness, including the following activities that will need to be pursued in during the next fiscal year:</p> <ul style="list-style-type: none"> • Comprehensive review and updating of job descriptions throughout the organizations • Establishment of stronger organization-wide training initiatives to better prepare employees to perform job duties • Review of the performance appraisal process to correct deficiencies and advance employee development, linked to individual and team performance indicators • Review of benefits to determine comparability with other employers <p>Staff intends to begin these activities in the Spring/Summer of 2006, following the second phase of the strategic planning session with the Village Council and Directors that was started in March 2006. The strategic planning process will begin to provide the necessary foundation for these activities by establishing a set of more clearly articulated policy goals and objectives that will help to guide the comprehensive improvement of the Village's personnel systems.</p>	
Organizational Improvements: General Management	The recommended budget for General Management and Legislative Support includes funding for in-house training to benefit both department directors and supervisory staff.	An increase of contingency funds of \$25,000.

and Legislative Support	<p>Specific training includes: Pat Wagner Supervisory Training (bring trainer to Downers Grove to train 30+ staff members, one day) Susan and Peter Glaser Training (bring trainer to Downers Grove to train Department Directors and key management staff three day session, 20 people) Village presence at International Conference of Shopping Center (ICSC)– Spring Conference. This unique economic development activity is a considered a critical to the successful redevelopment activities in Village. Funds are additionally included to allow for the Village to develop programs and activities for recognition of Volunteer Board & Commission members as well as staff.</p>	
Organizational Improvements: Privatization of Economic Development	<p>The recommended budget reflects the privatization of Economic Development activities with the creation of the private, not-for-profit Economic Development Corporation (EDC). The general fund reflects the elimination of the Asst. Economic Development position (also known as the Economic Development Program Administrator), and the Economic Development Program Assistant. Both positions are currently unfilled, but where budgeted for in the current fiscal year.</p> <p>Additionally, the recommended budget reflects the payment of \$380,000 of the Village's Hotel Tax revenues to the private EDC.</p> <p>During the upcoming fiscal year, staff plans to work with the new staff of the EDC to determine a strategy to present to Council for transition of the tourism related activities from the Village to the EDC.</p>	<p>Budgeted salaries and benefits will be reduced by approximately \$120,000 (Program 411).</p> <p>An increase of \$380,000 in professional fees (Program 421).</p>
Organizational Improvements: Finance	<p>Funding is included to fill the existing vacancy in the position of Assistant Finance Director. In this fiscal year, only partial funding for salary and benefits is included as the position would not be filled on May 1st.</p>	<p>Increase of approximately \$75,000 in salaries and benefits.</p>
Organizational Improvements: Legal	<p>In the current fiscal year, a staff attorney position was funded at 0.5 FTE, but the position was not filled pending evaluation of contractual legal services. In the recommended budget, funding is not included for the position (however, it is not being eliminated at this time pending further review.)</p>	<p>Reduction in salary and benefits of approximately \$39,000.</p>
Organizational Improvements: Community Development Department	<p>The recommended budget document reflects the consolidation of two departments (Planning and Code Services) into a single Community Development Department that will oversee key areas associated with the development and construction process including, planning, zoning, building and code compliance. The consolidation of these department eliminates Department Director level position. The existing Department Director position of Director of Code Services is being re-titled Director of Community Development.</p>	<p>Savings in salary and benefits of approximately \$114,000.</p>
Organizational Improvements: Social and Health Services	<p>The Department of Social and Health Services was formerly known as the Department of Health and Human Resources (H&HR) since it's inception in 1977. In 1999 the Employee Relations department of the Village requested the portion "Human Resources" to be their name</p>	<p>Staff will incur minimal expense over time as the new name is utilized on letterhead, business cards, signage, etc.</p>

	<p>and reflect their services. It was determined at that time that H&HR would be renamed with the current name. As an unexpected result, the Department of Social and Health Services consistently fields calls intended for a variety of other entities especially the DuPage County Health Department, the Department of Human Services, and the Social Security Administration. This suggests the public is unclear about the mission and services provided by the department. Most importantly, the name does not intuitively convey to our residents the counseling and related services available through the department. The recommended budget re-titles the name of the Department to Counseling and Social Services to more accurately reflect its mission and services.</p> <p>The proposed budget includes funding to increase the current part time clerical position to full time starting May 1, 2006. Currently, the Director Social and Health Services (whose position will be re-titled Director of Counseling and Social Services) is performing a significant amount of clerical work (e.g. answering phones) during times that there is not clerical coverage. This is not productive and based upon the type of service provided in this area, other options have been rejected (such as hiring a second part-time employee.)</p>	<p>A funding increase has not been made to change these items, rather as resources need to be replaced the new name will be used.</p> <p>Funds for the increase of the position from part-time to full-time for salary and benefits reflect an increase of approximately \$39,000.</p>
Organizational Improvements: Tourism and Events	<p>The Tourism and Events Department expenditures and revenues are recommended to be moved to the Community Events Fund budget which is a <i>special revenue fund</i>. Accordingly, a transfer of Hotel Tax Revenue of \$350,000 would be made into the Community Events Fund to cover day to day operating expenses associated with special events in the Village.</p> <p>The recommended budget additionally proposes elimination of the Events Coordinator position which is currently vacant.</p>	<p>Transfer of \$350,000 in Hotel Tax to the Community Events Fund. This level of hotel tax support is less than the total program expenditures recommended for FY 06-07 of \$384,199. In FY 05-06 year end expenditures are estimated to be \$419,894.</p>
Organizational Improvements: Employee Tuition Reimbursements	<p>Tuition reimbursements for eligible employees is now budgeted by department. The Village policies and collective bargaining agreements establish limits for such reimbursements based upon available funds. By budgeting available funds for tuition reimbursement in the Human Resources budget, the Village is able to make a more conscious decision as to the resources it is allocating for this employee benefit.</p>	<p>Total amount recommended for employee tuition reimbursement \$60,000 which is consistent with historical usage.</p>
Organizational Improvements: Taxi Subsidy program.	<p>In order to more accurately reflect the financial commitment of the Village to public transportation services, it is recommended that the current expenses associated with the Transportation Assistance Program (also known as the taxi subsidy program) be budgeted under the Transportation Fund.</p>	<p>\$180,000 in expenses and \$53,310 in revenue will be eliminated from the General Fund and shown in the Transportation Fund</p>
Organizational Improvements: Rededication of the Home Rule Sales Tax	<p>The Home Rule Sales Tax is a ½ percent tax that is charged, in addition to the 6.75% standard sales tax resulting in a total sales tax of 7.25% for applicable items (the Home Rule Sales Tax does not apply to the purchase of automobiles, nor certain “necessity items” such as groceries, pharmaceuticals, or medical equipment,</p>	<p>Based on a 12 month equivalent, increase revenues in the General Fund from Utility Tax by \$1.5 million, and reduce the Capital Fund</p>

	<p>meaning that it does not disproportionately burden those on low or fixed incomes.) In FY 04-05, the Home Rule Sales Tax generated over \$4.3 million in General Fund Revenue.</p> <p>In regards to the standard 6.75% sales tax, the Village receives 1% of those revenues in the General Fund. In FY 04-05, the Village received \$12.6 million from its 1% portion of the standard sales tax in the General Fund. Combined, the 1.5% sales taxes receipts account for 38.8% of total General Fund revenues. Sales tax is generally considered one of the most appropriate forms of tax revenues for Downers Grove residents as it is estimated that residents pay approximately 25% of all sales tax revenues while outside sources pay as much as 75%. This allocation is based upon an estimate that considers the Village population of 49,000 and an estimated daytime population of 95,000. Additionally, the Village is a regional shopping destination for a number of goods and services such as electronics, furniture and restaurants available in shopping districts located at Butterfield and Finley Roads, Ogden Avenue, 75th Street, 63rd Street and Downtown. Staff has estimated the Village's retail trade surplus at 1.4 (anything above 1 is considered a strong surplus). When individuals shop and work in Downers Grove who are not property owners (and therefore, do not pay property taxes) they impact the cost of public services in a number of areas including but not limited to streets, police, fire and emergency medical services. Therefore, a sales tax is one of the few tools available to the Village to recover revenue for the increased cost of local government services that result from being a part of a metropolitan area.</p> <p>The recommended budget provides funding levels that reduce General Fund revenues as a result of the rededication of the existing ½ percent Home Rule Sales Tax with the revenues directed into the Capital Improvement Fund. Additionally, Utility Tax Revenues that are currently allocated to the Capital Fund are budgeted for as a General Fund revenue.</p>	<p>revenues from Utility Tax by that same amount. The Home Rule Sales Tax revenues in the General Fund are decreased by 3,766,667, and the Capital Fund revenues from Home Rule Sales Tax are increased by the same amount.</p>
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In regards to all other funds:

1. Motor Fuel Fund (102). There are no Village employee expenses in this Fund, which is classified as a Special Revenue Fund. It is recommended that the Motor Fuel Fund contribute \$1.88 million for street projects in FY2006-07.
2. Downtown Redevelopment TIF Fund (107). There are no Village employee expenses in this Fund, which is classified as a Special Revenue Fund. As noted in the Village audit of financial statements, this fund has a deficit balance in its Net Assets, and as a part of the Management Letter, it was recommended the Village develop a plan or strategy for addressing this deficit balance.

Staff is recommending Council consider amending the current year budget and “write off” the

amount owed by the Downtown Redevelopment TIF Fund to other funds. The amount is documented in the audit and therefore, should this Fund have sufficient resources in the future, cash from this fund could be paid to other funds. This strategy would allow for elimination of the management letter comment, yet insure that any resources in the TIF would be retained by the Village at the time of dissolution of the TIF district.

3. Community Events Fund (108). Historically, this fund did not provide for employees, but it did fund overtime employee wages and benefits associated with Special Events such as Heritage Festival. The fund is classified as a Special Revenue Fund. In developing the FY 06-07 budget, the Tourism and Events Department expenditures and revenues are recommended to be moved to this Fund. Accordingly, a transfer of Hotel Tax Revenue of \$350,000 would be made into the Fund to cover day to day operating expenses associated with special events in the Village. Under expenditures for this budget, the funds allocated for overtime are reduced as a result of limited resources. This will require use of non-sworn personnel to staff some aspects of special event staging.

It is also noteworthy that as a part of the process to establish a not-for-profit Economic Development Corporation staff will work during the upcoming fiscal year with the new staff of the EDC to determine a strategy to present to Council for transition of the tourism related activities from the Village to the EDC.

Per discussions and resulting direction of the Village Council, Hotel Tax Revenue is recommended to be allocated from the General Fund as follows:

\$350,000	Community Events and Tourism Activities (tourism will be moved to the EDC in the future)
\$380,000	Economic Development Corporation
\$ 67,000	Community Grants (by Council policy, 8% of the last full year of hotel tax revenue is allocated for community grants)

In FY2006-07, total Hotel Tax Revenue for 12 months is projected to be \$835,000.

4. Foreign Fire Insurance Fund (109). There are no Village employee expenses in this Fund, which is classified as a Special Revenue Fund. Council is required to adopt this budget and appropriate these funds per State Statute. Additionally, these expenditures must be audited as a part of the Municipal Audit.
5. Ogden Avenue TIF Fund (110). There are no Village employee expenses in this Fund, which is classified as a Special Revenue Fund. The recommended budget increases funds for the Sidewalk Program on Ogden Avenue (sidewalks along Ogden that are not within the geographic area of TIF that are being funded under Capital Fund).
6. Sales Tax Incentives Fund (111). There are no Village employee expenses in this Fund, which is classified as a Special Revenue Fund. Current businesses that hold Sales Tax Rebate Agreements with the Village under this Fund include Fry's Electronics and Luxury Motors. It is anticipated that Bill Kay Nissan will also begin to receive rebates in FY2006-07.
7. Transportation Fund (112). This Fund includes full and part time employees and is currently classified an Enterprise Fund. Under a separate agenda item, it is recommended that Council take

action to amend the current year budget and classify the fund a Special Revenue Fund. As noted in the Village audit of financial statements, this fund has a deficit balance in its Net Assets, and as a part of the Management Letter, it was recommended the Village develop a plan or strategy for addressing this deficit balance. While re-classification of the Fund will be a first step in addressing the fund, the Village must identify a long-term funding source to address the lack of sufficient revenues from transportation to cover expenses.

As a part of the public dialogue held by Council in advance of the budget presentation, staff presented an overview of the status of public transportation in the Village. The Village currently operates a commuter bus system that services approximately 150 commuters daily and requires a subsidy of public funds to maintain. Village Staff, along with members of the Transportation Advisory Commission (TAC), recommend continuation of the Downers Grove Commuter Bus System, if the bus system is modified and enhanced to operate at peak efficiency. The primary modification is the purchase of new, smaller 28-passenger buses through a grant agreement with PACE, along with the following steps (that are described in detail below):

- Implementation of reverse commute shuttle operations
- Engagement of METRA in improved arrival and departure schedules
- Development of a Circulator Service in conjunction with DuPage Mayors & Managers Conference
- Promotion of the bus system to increase revenues via advertisements and increase revenues via expanded ridership.

The recommended budget for FY2006-07 additionally includes in this Fund expenses associated with the Transportation Assistance Program (also known as the taxi subsidy program). As a result, \$180,000 in expenses previously shown in the General Fund and \$53,310 in revenue will be eliminated from the General Fund and are now in the Transportation Fund. This is proposed in order to more accurately reflect the financial commitment of the Village to public transportation services.

As a part of the future dialogue regarding a long-term funding source for the transportation fund, it is noteworthy that under Illinois Statute, there is a Transportation tax which may be levied annually (not to exceed .03% of equalized or assessed value of property) for the purpose of operating, maintaining or improving any local transportation system owned and operated by any village. For units of government that are home rule, this tax can be adopted by Council without a referendum.

8. Real Estate Fund (126). There are no Village employee expenses in this Fund, which is classified as a Capital Projects Fund. It is anticipated that in FY2006-07 this Fund will have revenues and expenses associated with the houses along Main Street, north of 55th assuming plans for Fire Station No. 2 proceed as scheduled.
9. Capital Improvements Fund (220). There are two Village employees expensed in this Fund, which is classified as a Capital Projects Fund.

Annually, capital needs exceed available resources and the Village falls further behind in equipment and infrastructure replacement and maintenance. In each of the last three fiscal years, the Village spent less than \$2M per year on capital infrastructure. Future financial projections identify an annual need for more than \$5M in capital infrastructure improvements within the Village.

At this time, the Fund remains out of compliance with the Council’s policy for cash balance. It is recommended that the budget be adopted as recommended and that staff review and recommend revisions to the policy for the Capital Fund as it is a policy unique to Downers Grove and there are accepted standards that should be considered.

10. Fairview Avenue Debt Fund (337). There are no Village employee expenses in this Fund, which is classified as a Debt Service Fund. The current bond will be retired January 1, 2014.
11. Debt Service Fund (338). There are no Village employee expenses in this Fund, which is classified as a Debt Service Fund. There are no new bond issues proposed in this Fund. Staff will continue to monitor the opportunity for refunding of existing debt to reduce annual principal and interest expenses. A portion of the tax rate is directed here to this Fund in the amount of \$0.0381. The staff continues to monitor the level of the Village’s debt obligations, and the plan for repayment of debt. The Village has sold general obligation bonds for a variety of reasons dating back to the mid-nineties, including the reconstruction of the library facility, the purchase and installation of the automated water meter reading system, the reconstruction of Fairview Avenue south of 63rd Street, and downtown improvements including the replacement of infrastructure and the construction of the parking facility. A section on page 3-10 has been provided to show the outstanding principal related to each of these debt instruments. As this detail indicates, the current Village debt to valuation ratio is 2.3% and the Village debt per capita is \$914. Both of these figures are within industry accepted standards.
12. Parking Fund (471). There are Village employees expensed in this Fund, which is classified as an Enterprise Fund. Staff recommends that during FY 06-07 the organization chart should be updated to comprehensively address lines of responsibility for the fund and expenses associated with the staff attributed to this fund.
13. Water Fund (481). There are Village employees expensed in this Fund, which is classified as an Enterprise Fund. It is noteworthy that the Fund projects a water rate increase in 2008 that will need to be reviewed in 2007. The cash balance policy for enterprise funds requires a cash balance in the fund of not less than 3 months of rate revenues and not more than one year.
14. Equipment Replacement Fund (530). There are Village employees expensed in this Fund, which is classified as an Internal Service Fund.

The following is a list of the equipment recommended for replacement over the 12-month period beginning May 1, 2006. The budget for FY2006-07 has been adjusted to reflect 2/3 of the total projected expenses for the 12 month period (\$873,769). This means that 1/3 of the amount reflected in the list below will not actually be expended until FY2007.

Fund 530: Equipment Replacement Purchases for May 1, 2006 – April 30, 2007

Program	Year	Model	Budget Amt
Fleet Equipment Replacement Purchases			
320	1987	x Yale Forklift	28,910
320	1999	Tennant Floor Scrubber	42,000
333	2001	x Ford E250 Van	46,935
333	1997	Ford F350 Aerial	120,000

335	1992		Bobcat Loader	52,505
342	1990		Ford Ranger Pickup	22,000
342	1983		Cronkite Trailer	6,829
342	1998		Jamar Saw Trailer	1,500
342	1989	x	Ford F800 5-ton Dump	101,673
342	1989	x	Ford F800 5-ton Dump	101,673
342	1990		Long Concrete Saw	15,375
343	1991		Michigan Loader	153,000
343	1993	x	Ford F350 1-ton Dump	65,922
349	1979		Snogo Snowblower	70,000
624	1999		Crown Vic Sedan	30,000
624	1999		Chevy Tahoe - K9	38,000
624	2000		Crown Vic Sedan	30,000
624	2000		Crown Vic Sedan	30,000
624	2001		Crown Vic Sedan	30,000
624	2003		Crown Vic Sedan	30,000
624	2003		Crown Vic Sedan	30,000
625	1998	x	Ford Taurus Sedan	16,588
722	1993		Chevy K3500 Pickup	31,000
732	2000		Ford Excursion	34,000
743	1995		Ford Winstar Van	19,600
751	2000	x	Freightliner Ambulance (25%)	33,144
361	1991		Chevy CK2500 Pickup	80,000
Technology Equipment Replacement Purchases				
171			1 Router and 2 Servers	50,000
Total				1,310,654

x - Budgeted for and ordered in FY2005-06, delivery not expected until FY2006-07

15. Fleet Services Fund (531). There are Village employees expensed in this Fund, which is classified as an Internal Service Fund.
16. Risk Management Fund (562). There are Village employees expensed in this Fund, which is classified as an Internal Service Fund for internal services. The Village self insures for a substantial amount of property risk (e.g. vehicles) and purchases re-insurance for catastrophic exposures on Village property. The future year projections included in the five-year financial plan are based on a fixed growth rate of expenditures of less than 3%. Based upon the existing insurance market for government programs, it may not be possible for the Village to limit expenditures in this fund to a 3% annual growth rate. Therefore, it is proposed that prior to presentation of the FY 2007 recommended budget, staff conduct an extensive review of this fund.
17. Health Insurance Fund (563). There are Village employees expensed in this Fund, which is classified as an Internal Service Fund for internal services. The Village self insures for the first \$75,000 of employee health care costs in most cases and purchases re-insurance for catastrophic

exposure above this amount. In advance of the preparation of the FY 2007 recommended budget, it is proposed that the Village insurance consultant be directed to provide projections for Council review and consideration that identify insurance rate expenditures based upon varying levels of self insurance/first dollar coverage by the Village.

18. Police Pension Fund (651). There are no Village employees expensed in this Fund, which is classified as a Trust Fund.
19. Fire Pension Fund (652). There are no Village employee expensed in this Fund, which is classified as a Trust Fund.
20. – 22. Library Fund (805), Library Construction Fund (821), Library Debt Service Fund (836). Pursuant to State Statute the above funds are approved by the Library Board and incorporated into the overall Village Budget, although the Village has no authority to direct the use of the resources in these funds.

ATTACHMENTS

Ordinance.

ORDINANCE NO. _____

**AN ORDINANCE ADOPTING THE FISCAL YEAR 2006/07
BUDGET IN LIEU OF PASSAGE OF AN APPROPRIATION ORDINANCE**

WHEREAS, the Village Council of the Village of Downers Grove has provided for the preparation and adoption of an annual budget in lieu of passage of an appropriation ordinance for the fiscal year 2006/07; and

WHEREAS, a proposed annual budget has been prepared, published by the Village Council and made available for inspection for at least ten days, all as provided by law; and

WHEREAS, notice has been given and a public hearing held on March 28, 2006, as provided by law; and

WHEREAS, the Village Council of the Village of Downers Grove has examined said annual budget and has heard all persons appearing and desiring to be heard concerning said annual budget,

NOW, THEREFORE, BE IT ORDAINED by the Council of the Village of Downers Grove, in DuPage County, Illinois, as follows:

SECTION 1. That the tentative annual budget heretofore prepared by the Budget Officer and placed on file as required by the statutes of the State of Illinois is hereby adopted in lieu of the passage of an appropriation ordinance for the fiscal year 2006/07 with the following amendments:

FY2006-07 BUDGET ORDINANCE

Fund and Program Description	Fiscal Year 2006-07 Original Recommended Budget	Fiscal Year 2006-07 Adjusted Recommended Budget
GENERAL FUND		
GENERAL GOVERNMENT	4,204,878	2,986,585
PUBLIC WORKS	5,816,474	3,912,649
COMMUNITY DEVELOPMENT	2,333,726	1,673,792
POLICE	13,196,131	9,161,842
FIRE	12,180,733	8,651,448
COMMUNITY OPERATIONS	879,605	642,430
INTERFUND TRANSFERS	350,000	2,933,333
TOTAL GENERAL FUND	38,961,546	29,962,080
SPECIAL REVENUE FUNDS		
102 MOTOR FUEL TAX FUND	1,880,000	1,880,000
107 DOWNTOWN REDEVELOPMENT TIF FUND	1,408,373	1,408,373
108 COMMUNITY EVENTS FUNDS	808,068	680,002
109 FOREIGN FIRE INSURANCE BOARD FUND	147,750	98,500
110 OGDEN AVENUE TIF (Tax Increment Finance) FUND	464,250	464,250
111 SALES TAX ABATEMENTS FUND	900,000	600,000
112 TRANSPORTATION FUND	791,978	527,986
126 REAL ESTATE FUND	241,240	160,827
TOTAL SPECIAL REVENUE FUNDS	6,641,659	5,819,936
CAPITAL PROJECT FUNDS		
220 CAPITAL PROJECTS FUND	4,429,589	4,629,589
TOTAL CAPITAL PROJECTS FUNDS	4,429,589	4,629,589
DEBT SERVICE FUNDS		
337 1998 FAIRVIEW AVENUE DEBT SERVICE FUND	303,540	66,770
338 DRD-TIF DEBT SERVICE FUND	2,829,365	5,382,184
TOTAL DEBT SERVICE FUNDS	3,132,905	5,448,954

FY2006-07 BUDGET ORDINANCE

Fund and Program Description	Fiscal Year 2006-07 Original Recommended Budget	Fiscal Year 2006-07 Adjusted Recommended Budget
ENTERPRISE FUNDS		
471 PARKING FUND	1,263,555	2,727,370
481 WATER FUND	8,585,116	6,196,558
TOTAL ENTERPRISE FUNDS	9,848,670	8,923,928
INTERNAL SERVICE FUNDS		
530 EQUIPMENT REPLACEMENT	1,310,654	873,769
531 FLEET MAINTENANCE FUND	1,596,872	1,064,581
562 RISK MANAGEMENT FUND	1,889,128	1,230,085
563 HEALTH INSURANCE FUND	5,664,705	3,776,470
TOTAL INTERNAL SERVICE FUNDS	10,461,359	6,944,906
AGENCY & TRUST FUNDS		
651 POLICE PENSION FUND	2,028,550	1,352,367
652 FIRE PENSION FUND	1,226,100	817,400
TOTAL AGENCY & TRUST FUNDS	3,254,650	2,169,767
TOTAL VILLAGE BUDGET	76,730,379	63,899,160
PUBLIC LIBRARY FUNDS		
LIBRARY OPERATIONS FUND	3,609,989	3,609,989
LIBRARY DEBT FUND	661,068	661,068
TOTAL PUBLIC LIBRARY FUNDS	4,271,057	4,271,057
TOTAL VILLAGE AND LIBRARY BUDGETS	81,001,436	68,170,217

SECTION 2. That the Budget Officer is hereby authorized and directed to cause to be prepared and published the Fiscal Year 2006/07 Annual Budget with the aforementioned amendments.

SECTION 3. That all ordinances or resolutions, or parts thereof, in conflict with the provisions of this Ordinance be and are hereby repealed.

SECTION 4. That this Ordinance shall be in full force and effect from and after its adoption and publication as required by law.

Mayor

Passed:

Published:

Attest: _____

Village Clerk